



## OPPORTUNITY ZONES

Opportunity Zones are economically distressed areas where new investments receive preferential tax treatment.<sup>1</sup> They have generated billions of dollars of new investments in communities that have historically experienced limited access to capital and significant economic difficulties.

These zones were created in the Tax Cuts and Jobs Act, which was signed into law by President Trump on December 22, 2017.<sup>2</sup> The Department of Treasury designated 8,766 individual census tracts across all 50 states, six territories, and the District of Columbia as Opportunity Zones.<sup>3</sup>

- **Opportunity Zones give access to capital to people who need it.**
  - In 2014, Black and Hispanic small business owners were more likely to be turned down for bank loans than business owners from all other racial groups, facing rejection rates of 53.4% and 39.3% respectively.<sup>4</sup>
  - Based on recent Census data, Opportunity Zones have an average poverty rate of nearly 28%.<sup>5</sup>
    - 57% of residents are non-white minorities. 23% are Black, and 26% are Hispanic.
    - Median family income is, on average, \$47,316, and 21% of adults in Opportunity Zones lack a high school diploma.
  - Opportunity Zones, on average, have higher poverty rates, lower median incomes, higher minority population shares, and a higher percentage of adults without a high school diploma than other low-income areas not designated as Opportunity Zones.<sup>6</sup>
- **Opportunity Zones have spurred economic development of designated communities.**
  - Qualified Opportunity Funds, which are required to hold 90 percent of their assets in Opportunity Zones,<sup>7</sup> raised \$75 billion in private capital in 2019.<sup>8</sup>
    - An estimated 70% of this invested capital, or \$52 billion, would not have been invested without the tax incentives.<sup>9</sup>
  - Housing values in Opportunity Zones increased by 1.1%, leading to an estimated \$11 billion increase in wealth for the 47% of residents who are homeowners.<sup>10</sup>
- **President Trump increased job opportunity in Opportunity Zones.**
  - On August 24, 2020, President Trump directed agencies to give preference to Opportunity Zones when locating federal facilities.<sup>11</sup>
    - Executive orders under previous administrations instructed federal agencies to grant priority consideration to central business districts.
    - These districts often comprised wealthy urban centers that were not in need of federal investment, at a cost to the taxpayers
  - Bringing federal facilities to Opportunity Zones will also increase job opportunities to residents of these areas.

<sup>1</sup> “Opportunity Zones Frequently Asked Questions,” Internal Revenue Service. <https://www.irs.gov/credits-deductions/opportunity-zones-frequently-asked-questions> (Last accessed September 17, 2020).

<sup>2</sup> “Opportunity Zones” U.S. Economic Development Administration. Accessed 09/29/20 <https://www.eda.gov/opportunity-zones/>

<sup>3</sup> “The Impact of Opportunity Zones: An Initial Assessment” Accessed 09/16/20 at <https://www.whitehouse.gov/wp-content/uploads/2020/08/The-Impact-of-Opportunity-Zones-An-Initial-Assessment.pdf>

<sup>4</sup> “Availability of Credit to Small Businesses – September 2017” Board of Governors of the Federal Reserve System. Accessed 09/15/20 <https://www.federalreserve.gov/publications/2017-september-availability-of-credit-to-small-businesses.htm>

<sup>5</sup> *Ibid*

<sup>6</sup> “Opportunity Zones: Facts & Figures” Economic Innovation Group. Accessed 09/15/20 <https://eig.org/opportunityzones/facts-and-figures>

<sup>7</sup> H.R. 1 – An Act to provide reconciliation (...) Accessed 09/16/20 <https://www.congress.gov/bill/115th-congress/house-bill/1/text>

<sup>8</sup> “The Impact of Opportunity Zones: An Initial Assessment” Accessed 09/16/20 at <https://www.whitehouse.gov/wp-content/uploads/2020/08/The-Impact-of-Opportunity-Zones-An-Initial-Assessment.pdf>

<sup>9</sup> *Id.*

<sup>10</sup> *Id.*

<sup>11</sup> “Executive Order on Targeting Opportunity Zones and Other Distressed Communities for Federal Site Locations” Executive Orders. Accessed 09/17/20 <https://www.whitehouse.gov/presidential-actions/executive-order-targeting-opportunity-zones-distressed-communities-federal-site-locations/> and [https://www.whitehouse.gov/briefings-statements/president-donald-j-trump-lifting-driving-new-prosperity-previously-forgotten-american-communities/?utm\\_source=2019+House+GOP+Staff+List&utm\\_campaign=c97f4088d5-EMAIL\\_CAMPAIGN\\_2019\\_01\\_29\\_06\\_11\\_COPY\\_01&utm\\_medium=email&utm\\_term=0\\_a8407dc016-c97f4088d5-147384861](https://www.whitehouse.gov/briefings-statements/president-donald-j-trump-lifting-driving-new-prosperity-previously-forgotten-american-communities/?utm_source=2019+House+GOP+Staff+List&utm_campaign=c97f4088d5-EMAIL_CAMPAIGN_2019_01_29_06_11_COPY_01&utm_medium=email&utm_term=0_a8407dc016-c97f4088d5-147384861).